TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation	ITEM NUMBER: <u>7a</u>
	ATTACHMENT (S):1
ACTION: X	MEETING DATE: September 3, 1998
INFORMATION:	PRESENTER: Ms. DuCray-Morrill

Budget Update

Summary

As of August 17, the Budget Bill was awaiting action by the Governor. The Budget Bill includes language to require the System to perform a valuation on June 30, 1998 data to be completed by April 1, 1999 instead of waiting until June 30, 1999 data, when the next scheduled valuation is to be conducted. The Budget Bill also includes an additional \$50,000 from the Teachers Retirement Fund to pay for the valuation. Elder Full Funding contributions are not under immediate threat in the budget. Staff continues to work closely with client organizations, Legislative leadership, and the Administration regarding potential benefit increases.

Recommendation

The Staff continues to recommend the Board take no action at this time to deviate from the current schedule for conducting CalSTRS actuarial valuations. Based on this schedule, the next valuation will be conducted on June 30, 1999 data and will be presented to the Board approximately March 2000. The Board could choose to modify the current schedule at a future date if that action was deemed appropriate.

Status of Board Sponsored Legislation for 1998

Senator Adam Schiff has agreed to amend the Board's sponsored SB 2126 to include the credit enhancement proposal adopted by the Investment Committee. Ms. DuCray-Morrill will provide a verbal update at the meeting on the current status of Board-sponsored legislation.

Monthly Status

Also attached for your information is a status report that represents the progress of legislation to date (Attachment I).

BILL NO. >>> STATUS <<<<<<<<<<<<<

CA AB 88 AUTHOR: Baca

TITLE: CalSTRS: Rule of 85

AMENDED: 04/02/98

LOCATION: Assembly Unfinished Business

POSITION: *Support

SUMMARY: Allows a member of STRS, who is at least 55 years of age, (or any older age specified by the TRB) to retire, subject to employer option on or after July 1, 1999 with full retirement benefits, if the sum of the member's age and years of credited service equals or exceeds 85.

COSTS: Program - No cost to system, all costs paid by employer

Administrative - Not cost to system, all costs paid by employer

P - CTA (Sponsor), ACSA, ART, BOG, CalSTRS, CFT, CRTA, FACCC, UTLA O - Cal-Tax, DOF

CA AB 884 AUTHOR: Honda

TITLE: Compounded COLA

AMENDED: 03/02/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Support, if amended

SUMMARY: Requires that the "2% improvement factor" applied to benefit payments from the CalSTRS Defined Benefit Plan be compounded, beginning September 1, 1999.

COSTS: Program - 0.944% of payroll or \$154 million (1997/98 payroll

estimated \$16.35 billion)

Administrative - one time cost of \$196,000

P - CFT (Sponsor), ACSA, ART, BOG, CRTA, CTA, FACCC, FCPHE, UTLA O - Cal-Tax, DOF

CA AB 1102 AUTHOR: Knox

TITLE: Unused Sick Leave Service Credit

AMENDED: 08/17/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Support, if amended

SUMMARY: Extends eligibility to receive credit at retirement for unused sick leave to those who became members on and after July 1, 1980, and who retire on or after January 1, 1999. Redefines final compensation to mean the highest 12 consecutive months, subject to a salary increase limitation. Provides full retirement to any member with at least 30 years of service. Permits individual employers to provide optional CalSTRS benefits to its employees.

COSTS: Program - Sick Leave: .272% of payroll or \$44.47 million. One-

Year Final Compensation: 1.639% or \$267.9 million. 30 and Out: 0.920% or \$150.4 million. (Note: Additional unknown costs for

optional benefits, to be reimbursed by the employer.)

Administrative - Minor, absorbable

P - CTA, FACCC (Co-sponsors), ACSA, ART, BOG, CalPERS, CalSTRS, CFT,

CRTA, CSEA, UTLA

O - None Known

CA AB 1150 AUTHOR: Prenter and Ashburn

TITLE: CalSTRS Benefits

AMENDED: 06/22/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Support, if amended

SUMMARY: Increases the benefit factor of 2% at age 60 to 2.418% at age 63. Identical to AB-2616 (Prenter) which was held under submission in Assembly Appropriations Committee on 05/21/98.

COST: Program - 2.228% of payroll or \$364,278,500

Administrative - One time cost of \$150,000, of which \$100,000 is

absorbable. START costs undetermined at this time

P - Authors (Sponsors), CTA, CRTA, UTLA

BILL NO. >>> STATUS <<<<<<<<<<<<

CA AB 1166 AUTHOR: House

TITLE: Minimum Standards for Community College Counselors and

Librarians, Part Time and Adult Ed

AMENDED: 07/27/98

LOCATION: Senate Third Reading

POSITION: *Co-sponsor

SUMMARY: Establishes a minimum standard of 175 days or 1,050 hours for full-time service and compensation for California community college counselors and librarians. Modifies the minimum standard service for adult education programs, and part-time credit and non-credit and adult education community college instructors.

COST: Program - None

Administrative - Minor, absorbable

P - CalPERS, CalSTRS (Co-sponsors), AFSCME, CFT, CRTA. CSEA, FACCC

O- None

CA AB 2765 AUTHOR: Assembly PER&SS

TITLE: CalSTRS Technical Housekeeping

AMENDED: 07/30/98 and as to proposed to be amended

LOCATION: Senate Second Reading File

POSITION: *Sponsor

SUMMARY: Makes various technical and conforming changes to the TRL. Extends sunset date on earnings exemption for retirees teaching in class size reduction. Deletes requirement for quarterly asset reports to the legislature. Extends the sunset date to January 1, 2005, for electing Medicare coverage. Senate Appropriations Committee amendments also delete sunset date and Golden Handshake provisions.

COST: Program - None

Administrative - None

P - CalSTRS (Sponsor), ACSA, CFT, CRTA, CTA, SSDA, UTLA

CA AB 2766 AUTHOR: Assembly PER&SS

TITLE: Final Comp for LAUSD

AMENDED: 04/20/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Oppose

SUMMARY: Revises the definition of final compensation for specified LAUSD members who retired in the early 1990's. Funding would be at least partially provided by LAUSD.

COST: Program - No net costs to system; LAUSD would be required to

pay the actuarial present value of any benefit increase

Administrative - Significant, approximately \$500,000 for

implementation of the LAUSD final compensation proposal

P - ACSA Region 16-{Retired} (Sponsor), ART

O – CalSTRS, LAUSD (Oppose unless amended, re: funding source)

CA AB 2768 AUTHOR: Assembly PER&SS

TITLE: Board Elections

LOCATION: Enrollment 08/12/98

POSITION: *No Position

SUMMARY: Requires that the four "teacher" members of the TRB be elected to the Board from their respective constituencies rather than appointed by the Governor.

COST: Program - None

Administrative - \$614,296 per election cycle, or \$153,574 per year Annual costs would vary according to the Board composition

under election

P - PER&SS (Sponsor), ART, CTA, CFT, CRTA, FACCC

BILL NO. >>> STATUS <<<<<<<<<<<<<

CA AB 2804 AUTHOR: Assembly PER&SS

TITLE: CalSTRS' Benefits

AMENDED: 05/13/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Support

SUMMARY: Requires that the General Fund appropriation currently made to the TRF to reduce the unfunded liability be used to fund benefit increases and educational objectives, when the TRF achieves full-funding

COST: Program - \$36 million initial increase in resources to TRF from

General fund, increasing annually for 17 years

Administrative - None

P - Assembly PER&SS (Sponsor), ACSA ART, CalSTRS, CFT, CRTA, CTA,

FACCC, FCPHE, UTLA

O - None Known

CA AJR 63 AUTHOR: Prenter

TITLE: Elk Hills Naval Petroleum Reserve

LOCATION: Enacted 07/02/98 (Resolution Chapter: 82, Statutes of 1998)

POSITION: *Co-sponsor

SUMMARY: Memorializes the President and Congress to approve the appropriation of specified funds from the sale of the Elk Hills Naval Petroleum Reserve for the benefit of retired members of the CalSTRS.

COST: Program - No impact

Administrative - No impact

P – CalSTRS, CRTA, (Co-sponsors), ACSA, ART

BILL NO. >>> STATUS <<<<<<<<<<<

CA SB 1486 AUTHOR: Rainey

TITLE: New Option Beneficiary

AMENDED: 03/26/98

LOCATION: Enacted 08/06/98 (Chapter: 262, Statutes of 1998)

POSITION: *Support

SUMMARY: Permits a retired member to designate a new spouse as his or her new option beneficiary, under specified circumstances.

COST: Program - None

Administrative - Minor and absorbable

P - Constituent (Sponsor), CalSTRS, CFT, CRTA, CTA,

O - None Known

CA SB 1528 AUTHOR: Schiff

TITLE: Health Care Study

AMENDED: 05/26/98

LOCATION: Assembly Appropriations (Suspense File)

POSITION: *Co-sponsor

SUMMARY: Requires TRB to conduct a study on health insurance, including vision and dental care, for active and retired CalSTRS members, beneficiaries, children, and dependent parents.

COST: Program - None

Administrative - \$200,000 for study appropriated in the bill.

P – CRTA, CalSTRS (Co-sponsor), ACSA, AFSCME, CTA, FACCC

CA SB 1753 AUTHOR: Schiff

TITLE: Board Investment Decisions

AMENDED: 07/23/98

LOCATION: Assembly Third Reading

POSITION: *Neutral

SUMMARY: Prescribes procedures for (1) the consideration of specified financial matters involving vendors and contractors in closed sessions of the TRB and the CalPERS Board of Administration, and (2) the disclosure of gifts and campaign contributions within 12 months. Prohibits specified board member communications.

COST: Program - None

Administrative - No fiscal impact

P - Author (Sponsor), ACSA, CPFFA, CRTA, CTA, SCDSA

O - CalPERS (Oppose, unless amended)

CA SB 1879 AUTHOR: Hayden

TITLE: State Government Financial Transactions: retirement systems

AMEMDED: 07/27/98

LOCATION: Assembly Appropriations (Suspense File)

POSITION: *No Position

SUMMARY: Prohibits the use of specified state funds, including TRF, in specified Swiss banks or Swiss investment firms from January 1, 1999 until January 1, 2000. Establishes an advisory governor's task force.

COST: Program – Unknown at this time

Administrative – Unknown at this time

P – Authors (Sponsors), Various representatives of 9 Jewish organizations

O – DOF, Swiss Bankers Association

BILL NO. >>> STATUS <<<<<<<<<<<<<

CA SB 1945 AUTHOR: Karnette

> TITLE: CalSTRS Home Loan Program

AMEMDED: 06/24/98

LOCATION: Enrollment 08/13/98

POSITION: *Co-sponsor

SUMMARY: Establishes a 100% financing home loan program providing CalSTRS to loan up to 5% of the home's purchase price/value using up to 50% of the members'/buyers' retirement contributions as collateral.

COST: Program - None

Administrative - No net cost to system. All costs paid by

participating members

P - Author, CalSTRS (Co-sponsor), ACSA, ART, CFT, CRTA, CTA, FACCC,

UTLA

O - None Known

CA SB 2047 AUTHOR: Lewis

> TITLE: Change in Option

AMENDED: 06/24/98

LOCATION: Enrollment 08/06/98

POSITION: *Sponsor

SUMMARY: Provides (1) a new Option 8 allowing a member to select more than one option beneficiary, effective January 1, 2000; (2) for a change from Option 4 or 5 to Option 6 or 7 under specified circumstances; and (3) members upon retirement under an option with the greater of the benefit determined under the option factors in place at the time of retirement or in place at the time of election of a pre-retirement election of an option.

COST: Program - No net costs to system, any selected options would be

actuarially neutral

Administrative - Approximately \$125,000 is estimated as the cost for system modifications, printing, and postage necessary for the implementation of the change in options and the greater of the

option factors

P - CalSTRS (Sponsor), ACSA, CFT, CTA, CRTA, Family Law Section of State Bar of California

O - DOF

BILL NO. >>> STATUS <<<<<<<<<<<<

CA SB 2085 AUTHOR: Burton

TITLE: CalSTRS Cash Balance Plan

AMENDED: 07/06/98

LOCATION: Assembly Third Reading

POSITION: *Co-sponsor

SUMMARY: Merges the CB and the DB Plans and their respective trusts into

the TRF.

COST: Program - No fiscal impact

Administrative - None

P – CalSTRS, CFT, FACCC (Co-sponsors), CRTA

O- None Known

CA SB 2126 AUTHOR: Senate PE&R

TITLE: Repurchase of Service Credit

AMENDED: 04/22/98

LOCATION: Assembly Appropriations (Suspense File)

POSITION: *Sponsor

SUMMARY: Permits (1) CalSTRS members to take up to 120 months to pay for permissive service purchases consistent with the payback period for out-of-state service credit; (2) the purchase of out-of-state service credit to count toward vesting; and (3) the purchase of nonqualified service.

COST: Program - Minor and absorbable

Administrative - Minor and absorbable

P -CalSTRS (Sponsor), ACSA, CFT

BILL NO.>>> STATUS <<<<<<<<<<<<><<

CA SB 2224 AUTHOR: Alpert

TITLE: Return to Unmodified

AMENDED 06/11/98

LOCATION: Assembly Appropriations (Suspense File)

POSITION: *Co-sponsor

SUMMARY: Increases to an unmodified allowance the allowance paid to certain members who retired prior to 1991 under specified conditions. Funding for benefit from 1997-98 normal cost surplus.

COST: Program - \$31 million

Administrative - Minor and absorbable

P – CalSTRS, CRTA, (Co-Sponsors), ACSA, CTA O- DOF

Revised 08/20/98 2:49:18 PM

L E G E N D OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

AALA Associated Administrators of Los Angeles

ACCCA Association of California Community College Administrators

ACLU American Civil Liberties Union

ACS American Cancer Society

ACSA Association of California School Administrators

AFSCME American Association of State, County and Municipal Employees

AFT American Federation of Teachers
AGENCY State and Consumer Services Agency

AHA American Heart Association ALA American Lung Association

ALADS Association for Los Angeles Deputy Sheriffs

ART Association of Retired Teachers
AGO Attorney General's Office
BOE Board of Equalization

BOG Board of Governors, California Community Colleges

Cal-Tax California Taxpayers Association
CalPERS Public Employees Retirement System
CalSTRS State Teachers' Retirement System
CalPIRG California Public Interest Group

CASBO California Association of School Business Officers

CCA Community College Association

CCAE California Council for Adult Education

CFA California Faculty Association
CFT California Federation of Teachers
CHA California Heart Association

CPOA California Peace Officers' Association CPCA California Police Chiefs' Association

CPFFA California Professional Firefighters Association

CRTA California Retired Teachers Association
CSAC California Association of Counties
CSBA California School Boards Association
CSEA California School Employees Association

CSL California Senior Legislature
CSU California State University
CTA California Teachers Association

DOE Department of Education
DOF Department of Finance

DGS Department of General Services

DPA Department of Personnel Administration

FACCC Faculty Association of California Community Colleges

FCPHE Faculty Coalition for Public Higher Education

FTB Franchise Tax Board

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ABBREVIATION ORGANIZATION

FSC Free Speech Coalition

LADSA Los Angeles Deputy Sheriffs' Association
LAUSD Los Angeles Unified School District

MPAA Motion Picture Association of America, Inc.
OCDE Orange County Department of Education

PARS
Public Agency Retirement System
PRF
Public Employees Retirement Fund
RPEA
Retired Public Employees Association
RIAA
Recording Industry Association of America
SACRS
State Association of County Retirement Systems
SCDSA
Sacramento County Deputy Sheriffs Association
SBMA
Supplemental Benefit Maintenance Account

SDCOE San Diego County Office of Education SEIU Service Employees International Union

SLC State Lands Commission
SSC School Services of California
SSDA Small School Districts' Association

START State Teachers' Automation Redesign Team

TFD Teachers for Fair Disability
TRB Teachers' Retirement Board
TRF Teachers' Retirement Fund
TRL Teachers' Retirement Law

USERRA Uniformed Services Employment and Reemployment Rights Act

UTLA United Teachers Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS Assembly Public Employees Retirement and Social Security

Senate IR Senate Industrial Relations